



Frequently Asked Questions

Q: How does *interest only* PLUS differ from other loans?

A: CalHFA's *interest only* PLUS allows first-time homebuyers to qualify for a larger loan, expanding their buying power. For a comparison, see the example on Page Two. It also may give borrowers a lower initial payment. Buyers will have more choices within their reach. Some borrowers will buy a bigger house or one in a more convenient location. The *interest only* PLUS has a 35-year term compared with other loans of 30 years. The longer term helps lower the monthly loan payment, however borrowers will be paying interest for an additional five years. Unlike adjustable rate loans, the interest rate is fixed for the entire term of the loan.

Q: Who qualifies for *interest only* PLUS?

A: CalHFA's *interest only* PLUS is similar to CalHFA's conventional Homeownership Mortgage Loan. The income limits, purchase price limits and first-time homebuyer requirements are the same. *interest only* PLUS works best, however, for those who may not qualify for other CalHFA loan programs.

Q: How does it work?

A: Borrowers receive a fixed interest rate loan, but the term of the loan is extended to 35 years. During the first five years, borrowers make interest-only payments. Beginning in year six (month 61), the interest rate remains the same and the remaining principal balance amortizes over the remaining 30 years as borrowers begin repaying the principal.

Borrowers will receive a rate special to *interest only* PLUS. If the loan is kept for the full 35 years, borrowers will pay more interest than with a 30-year loan. In exchange, borrowers have more buying power up front. All buyers are encouraged to seek homebuyer education and counseling to find the financing option best for them.

Q: Will this loan help build equity?

A: Because no principal payments are required during the first five years, outstanding principal debt doesn't start to shrink until the sixth year. Homeowners, however, can always accumulate wealth through their home investment if property values rise, if they make improvements to the property or if they make voluntary additional principal payments.

Q: What kinds of down payment assistance are available with this loan?

A: The following CalHFA assistance programs can be used with *interest only* PLUS: HiCAP, ECTP, CHDAP, SFF and AHPP programs are all available with the *interest only* PLUS loan. (See www.calhfa.ca.gov for more info.) Please note that the interest rate remains the same when *interest only* PLUS is used in conjunction with another program. Keep in mind that this is a 100% loan, so borrowers will already have most of the purchasing power they need.

Q: During the first five years, do I really only pay interest?

A: No. In addition to the interest on the remaining loan balance, you will be required to pay real estate taxes, hazard insurance and possibly private mortgage insurance.

How <i>interest only</i> PLUS Works: Loan Comparison					
Example: \$300,000 Sales Price and \$300,000 Loan Amount Assume 100% LTV					
Conventional 30-year Loan			CalHFA <i>interest only</i> PLUS		
Interest Rate*	5.25%	(6.410% APR*)	Interest Rate*	5.25%	(6.659% APR*)
Initial Payment*	\$1,656.61	Years 1-30	Initial Payment*	\$1,312.50	1 st 5 years
			Monthly Savings	\$344.11	
			6 th Year Payment	\$1,656.61	Years 6-35
*Interest rate is for comparison only. Contact CalHFA at www.calhfa.ca.gov for current rates and CalHFA-approved Lenders. Payment comparisons include only principal and interest. Taxes, hazard insurance, and mortgage insurance are often also required and included in the monthly payment. Sample APRs include typical finance charges, such as lender fees and mortgage insurance.					

This sample is for illustrative purposes only. It does not reflect any specific loan's terms.

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